

NEIL ABERCROMBIE
GOVERNOR



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RECOMMENDATION SHEET

DATE: July 22, 2014

TO: Peter Tomozawa, Chairperson
Administration & Operations Committee

FROM: Tom Hutton, Executive Director

SUBJECT: Discussion/Recommendation on FY 2015 Impact Aid Distribution

I. DESCRIPTION

Recommendation on distribution of FY 2015 Federal impact aid funds of \$2,225,214.

II. AUTHORITY

Pursuant to §302D-28(d), Hawaii Revised Statutes ("HRS"), charter schools shall be eligible for all federal financial support to the same extent as all other public schools, and federal funds received by the Department of Education ("DOE") for charter schools shall be transferred to the Commission for distribution to the charter schools it has authorized in accordance with the federal requirements.

III. BACKGROUND

Federal impact aid funds are to provide financial assistance for students who are federally connected (parents live-on and/or work-on federal property). Federal impact aid funds are received by the Department of Education (DOE) based on applications prepared and submitted by DOE based on data *voluntarily* submitted via federal survey cards turned in to schools. These funds are allocated based on what the percent of the charter schools' enrollment is of the total public school enrollment. On October 15, 2013, total charter school enrollment was 10,400, or 5.59%, of the total public school enrollment of 185,930.

Current Situation

Prior to FY 2014, Federal impact aid funds have been distributed to schools on a per pupil basis as this was determined to be the most equitable distribution of the funds.

However, in FY 2014, there was an increase in the Federal impact aid funds provided to DOE as a result of prior year reconciliations of the fund. The Commission decided to allocate to the schools an amount approximately equal to FY 2013's distribution, or \$285 per pupil, to all schools and the remaining funds were initially set aside for a facilities pilot program.

With the recent legislative session resulting in no facilities funding to charter schools and the Attorney General's opinion on restrictions on the use of Federal impact aid funds provided to two charter schools, all of the funds were subsequently allocated to the schools. However, the allocation was made on a targeted basis to provide start up schools with a higher allocation in consideration of the facilities inequity when compared to conversion schools and online/blended program schools.

To assist schools in preparing their budgets for the current fiscal year, staff estimated that Federal impact aid for this year would amount to about \$200 per pupil if the funds were distributed on a straight per pupil basis. The budgets submitted to staff by conversion and online schools for the coming fiscal year anticipated Federal impact aid ranging from \$200 to \$335 per pupil. On the other hand, the Commission voted on July 10, 2014 to distribute 50% of the allocations of \$892,802 in additional FY14 Federal impact aid funds on a per pupil basis among all schools, and the resulting \$42.99 per pupil would not have been anticipated by the conversion and online/blended program schools.

In addition, the recent legislative session provided for an allocation for labor arbitration costs of up to \$100,000, to assist charter schools with labor disputes. Unfortunately, the funding for this allocation was not specifically provided and assumed that it was to be funded from the per pupil allotment. However, because this appropriation was not factored into the amount by which the Legislature intended to fund the Commission partly from per pupil funds one last time, the funding is not available for this purpose.

IV. DECISION MAKING STATEMENT

Staff recommends that funding for the labor arbitration in the amount of \$75,000 be set aside from the Federal impact aid funds for use by schools as needed. The rationale for this is based on the fact that the arbitration fund was intended for charter schools only to facilitate the resolution of labor disputes at the schools. The \$75,000 amount is based on the supplemental budget request for arbitration as originally submitted by the Commission, rather than the higher \$100,000 amount based on the recommendation of the Department of Budget & Finance. Depending on the amount

of arbitration funds remaining at the end of this fiscal year, if any, the Commission could opt to retain them for future labor arbitrations or distribute funds among the schools.

Staff has prepared a worksheet (**Exhibit 1**) showing the allocation of the remaining funds of \$2,150,214 on a per pupil basis and a blended per pupil/targeted allocation. The per pupil basis is self-explanatory. The blended per pupil/targeted allocation provides for 50% of the remaining funds, or \$1,075,107, allocated on a per pupil basis to all schools, and 50% allocated to the 25 brick-and-mortar start-up schools as was done with the FY14 targeted allocation distribution. To provide some context, the amounts targeted under this scenario would represent approximately 1.6% of the public funds allocated to charter schools by the Commission.

With the start-up of Mālama Honua Public Charter School (“Malama Honua”) this fiscal year, the targeted allocation to this new brick-and-mortar start-up school had to be estimated, since information used to calculate targeting points is not available at this time. The estimate for Malama Honua was determined using the average of all brick-and-mortar start-up schools’ targeted per pupil allocations. Due to Malama Honua’s location, the school is expected to serve a significant high-needs student population, which is the largest factor in the targeting methodology.

Staff would distribute the funds in two increments, of 80% and 20%, in order to allow for the enrollment reconciliation based on the October 15, 2014 enrollment true-up with DOE.

V. RECOMMENDATION

On balance staff recommends that the FY15 Federal impact aid funds be allocated using the “blended” methodology described above, with 50% targeting to brick-and-mortar start-up schools. The Committee could opt instead to recommend to the full Commission a straight, across-the-board distribution. If targeting is employed, staff recommends targeting to Malama Honua based on the average allocations to other brick-and-mortar start-up schools. Under either scenario, staff recommends allocating \$75,000 for the school labor arbitration costs that were budgeted, but in effect not funded, in the supplement budget.

Motion to the Committee:

“Moved to recommend that the Commission allocate Fiscal Year 2015 Federal impact aid funds in the aggregate amount of \$2,225,214 as follows:

- 1. \$75,000 to be available to fund school labor arbitration costs;**
- 2. Fifty percent of the balance on a straight, per pupil basis among all charter schools; and**
- 3. The other fifty percent of the balance on a targeted basis to the brick-and mortar start-up schools using the same targeting methodology as was employed in the February 2014 and June 2014 allocations, but adjusted so that the targeted funds for Malama Honua Public**

Charter School will be based on the average per pupil allocation among all the of the brick-and-mortar start-up schools.

State Public Charter School Commission
Allocation of Impact Aid - FY15 Funds
Based on Estimated Enrollment as provided to Legislature Feb, 2014

Exhibit 1

	<u>Total</u> <u>Enrollment</u>	<u>Per pupil</u>	<u>Targeted</u> <u>Points</u>	<u>Pro-Rata</u> <u>Share</u>	<u>Allocation</u>	<u>Total</u> <u>Allocation</u>	<u>Allocated by</u> <u>Per Pupil Only</u>
Connections	370	36,672.77	509	7.03%	74,598.72	111,271.49	73,345.55
Hakipu'u Learning Center	75	7,433.67	243	3.36%	35,627.03	43,060.70	14,867.34
Halau Ku Mana	130	12,885.03	171	2.36%	25,035.59	37,920.62	25,770.06
Halau Lokahi	183	18,138.16	247	3.41%	36,159.34	54,297.50	36,276.31
Hawaii Academy of Arts and Science	680	67,398.61	660	9.11%	96,628.47	164,027.08	134,797.23
Innovations	238	23,589.51	180	2.49%	26,396.83	49,986.34	47,179.03
Ka 'Umeke Ka'eo	275	27,256.79	443	6.12%	64,892.78	92,149.57	54,513.58
Ka Waihona o ka Na'auao	639	63,334.87	593	8.19%	86,938.17	150,273.04	126,669.75
Kanu o ka 'Aina	300	29,734.68	318	4.39%	46,568.56	76,303.24	59,469.36
Kanuikapono	165	16,354.08	196	2.71%	28,733.56	45,087.64	32,708.15
Kawaikini	120	11,893.87	267	3.68%	39,051.90	50,945.77	23,787.75
Ke Ana La'ahana	58	5,748.71	276	3.81%	40,429.81	46,178.52	11,497.41
Ke Kula Ni'ihau O Kekaha	41	4,063.75	313	4.32%	45,853.51	49,917.26	8,127.48
Ke Kula 'o Nawahokalani'opu'u Iki	290	28,743.53	312	4.31%	45,683.95	74,427.48	57,487.05
Ke Kula o Samuel M. Kamakau	155	15,362.92	207	2.86%	30,315.80	45,678.72	30,725.84
Kihei	580	57,487.05	260	3.59%	38,086.05	95,573.10	114,974.11
Kona Pacific	231	22,895.71	230	3.17%	33,648.11	56,543.82	45,791.41
Kua o ka La	284	28,148.83	320	4.42%	46,850.39	74,999.22	56,297.67
Kula Aupuni Ni'ihau A Kaelelani Aloha	70	6,938.09	338	4.66%	49,469.34	56,407.43	13,876.19
Malama Honua (2)	50	4,955.79			14,108.00	19,063.79	9,911.56
Na Wai Ola	110	10,902.72	341	4.71%	49,923.86	60,826.58	21,805.43
SEEQS	96	9,515.10	118	1.63%	17,319.01	26,834.11	19,030.20
Volcano School of Arts and Sciences	188	18,633.73	277	3.82%	40,510.85	59,144.58	37,267.47
Voyager	293	29,040.87	221	3.05%	32,313.43	61,354.30	58,081.75
West Hawaii Explorations Academy	240	23,787.75	205	2.82%	29,963.94	53,751.69	47,575.49
	5,861	580,916.59	7243	100.0%	1,075,107.00	1,656,023.59	1,161,833.16
Conversion (includes University Lab)/OnLine/Blended excluded from allocation							
Hawaii Technology Academy	1,319	130,733.48			0	130,733.48	261,466.97
Kamaile Academy	924	91,582.82			0	91,582.82	183,165.64
Kualapu'u Elementary	330	32,708.15			0	32,708.15	65,416.30
Lanikai Elementary	335	33,203.73			0	33,203.73	66,407.46
Laupahoehoe Community	240	23,787.75			0	23,787.75	47,575.49
Myron B. Thompson Academy	590	58,478.21			0	58,478.21	116,956.42
University Laboratory	450	44,602.02			0	44,602.02	89,204.05
Waialae Elementary	509	50,449.84			0	50,449.84	100,899.69
Waimea Middle	289	28,644.41			0	28,644.41	57,288.82
	4,986	494,190.41			-	494,190.41	988,380.84
	10,847	1,075,107.00			1,075,107.00	2,150,214.00	2,150,214.00

Per Pupil and Targeted Allocation:

1. Per Commission directive, 50% distributed on a per pupil basis to all schools and 50% distributed on targeted basis to 24 start-up schools.
2. Malama Honua provided average of targeted per pupil amount to 24 start up schools due to lack of data
3. Total Impact Aid allocation of \$2,225,214 reduced by \$75,000 to fund Arbitration